The Fiscal Monitor

A Publication of the Department of Finance

Highlights

August 2008: budgetary deficit of $1.7 billion

There was a budgetary deficit of $1.7 billion in August 2008, compared to a deficit of $0.1 billion in August 2007. Budgetary revenues were up $0.1 billion, or 0.5 per cent, from August 2007, as higher personal income tax and other revenues were largely offset by lower corporate income tax, goods and services tax (GST) and sales and excise tax revenues. Program expenses increased by $1.5 billion, or 10.1 per cent, compared to August 2007, reflecting higher transfer payments and operating expenses of departments and agencies. Public debt charges increased by $0.2 billion compared to August 2007.

April to August 2008: budgetary surplus of $1.2 billion

For the first five months of the 2008–09 fiscal year, the budgetary surplus is estimated at $1.2 billion, down $5.5 billion from the $6.6-billion surplus reported in the same period of 2007–08. Budgetary revenues increased by $0.7 billion, or 0.7 per cent, primarily reflecting growth in personal income tax and other revenues, offset by declines in corporate income tax and GST revenues. Program expenses were up $6.4 billion, or 8.4 per cent, due to higher transfer payments and operating expenses of departments and agencies.

Monthly program spending growth has been relatively strong so far this year but will moderate over the rest of the year. This reflects the fact that program spending in the early months of 2007–08 was low, then rose in the second half of the year.

Public debt charges were down $0.3 billion on a year-over-year basis, reflecting reductions in market debt and lower interest rates.

August 2008

There was a budgetary deficit of $1.7 billion in August 2008, compared to a deficit of $0.1 billion in August 2007.

Budgetary revenues rose $0.1 billion, or 0.5 per cent, to $17.7 billion.

- Personal income tax revenues increased $0.6 billion, or 7.0 per cent.
- Corporate income tax revenues were down $1.0 billion, or 43.1 per cent, following strong growth of 15.7 per cent in July 2008. Corporate income tax revenues can be volatile on a monthly basis, as large refunds or settlement payments may be recorded in any given month. In addition, assessments or reassessments, which can relate to activity that took place in prior years, can influence results in a given month.
- Other income tax revenues—withholdings from non-residents—were up $48 million, or 9.4 per cent.

Note: Unless otherwise noted, changes in financial results are presented on a year-over-year basis.

- Excise taxes and duties were down $0.3 billion, or 8.2 per cent, driven by lower GST revenues. GST revenues declined by $0.2 billion, or 9.7 per cent. Customs import duties rose $0.1 billion, sales and excise taxes decreased by $0.1 billion, and revenues from the Air Travellers Security Charge were unchanged.
- Employment Insurance (EI) premium revenues were largely unchanged from a year ago, as gains in employment and wages and salaries offset the decline in the premium rate from $1.80 to $1.73 per $100 of insurable earnings effective January 1, 2008.
- Other revenues, consisting of net profits from enterprise Crown corporations, revenues of consolidated Crown corporations, proceeds from the sales of goods and services, returns on investments, foreign exchange revenues and miscellaneous revenues, were up $0.7 billion, or 33.7 per cent, due in part to strong growth in receipts under the Atlantic Offshore Revenue Accounts. This revenue is transferred to Newfoundland and Labrador and Nova Scotia under the Atlantic Offshore Accords, such that there is no net impact on the budgetary balance.

Program expenses in August 2008 were $16.6 billion, up $1.5 billion, or 10.1 per cent, from August 2007, reflecting higher transfer payments and operating expenses of departments and agencies.

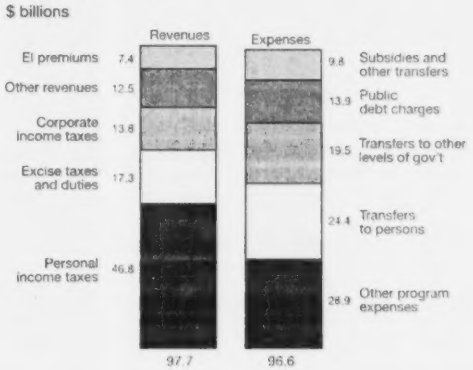
In August 2008, transfer payments were up $0.8 billion, or 8.2 per cent, from August 2007.

- Major transfers to persons, consisting of elderly, EI and children's benefits, increased 2.0 per cent. Elderly benefits increased 3.5 per cent and EI benefits remained stable. Children's benefits, which consist of the Canada Child Tax Benefit and the Universal Child Care Benefit, also remained stable.
- Major transfers to other levels of government, consisting of federal transfers in support of health and other social programs (Canada Health Transfer and Canada Social Transfer), fiscal transfers, transfers to provinces on behalf of Canada's cities and communities, and Alternative Payments for Standing Programs, were up $0.2 billion or 6.0 per cent.
- Subsidies and other transfers increased by $0.5 billion, or 33.5 per cent, reflecting increases in payments related to the investment in infrastructure announced in Budget 2007 and higher transfers to Newfoundland and Labrador and Nova Scotia under the Atlantic Offshore Accords.

Other program expenses consist of operating expenses of Crown corporations, departments and agencies, including National Defence, and also reflect the ongoing assessment of the Government's liabilities. These expenses rose $0.7 billion, or 13.6 per cent, between August 2007 and August 2008.

Public debt charges increased $0.2 billion compared to August 2007.

Revenues and expenses
(April to August 2008)



April to August 2008

Through the first five months of the 2008–09 fiscal year, there was a budgetary surplus of $1.2 billion, down $5.5 billion from the $6.6-billion surplus reported during the same period of 2007–08.

Budgetary revenues increased by $0.7 billion, or 0.7 per cent, to $97.7 billion.

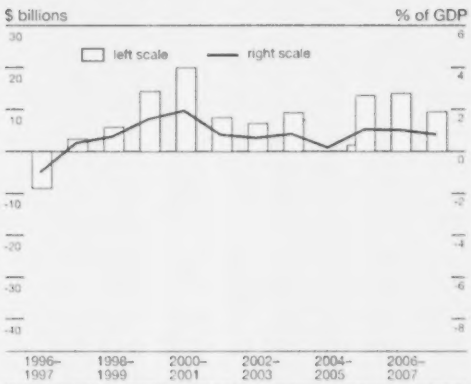
- Personal income tax revenues rose $2.0 billion, or 4.6 per cent, roughly in line with growth in wages and salaries.
- Corporate income tax revenues were down $1.5 billion, or 9.9 per cent.
- Other income tax revenues rose $0.2 billion, or 7.7 per cent.
- Excise taxes and duties decreased by $1.1 billion, or 5.7 per cent, due to a decline in GST revenues of $1.2 billion, or 9.6 per cent, reflecting the 1-percentage-point reduction in the GST rate effective January 1, 2008. Customs import duties increased by $0.1 billion, sales and excise taxes by $32 million, and revenues from the Air Travellers Security Charge by $4 million.
- EI premium revenues were down $20 million, or 0.3 per cent, reflecting the decline in the premium rate from $1.80 to $1.73 per $100 of insurable earnings effective January 1, 2008.
- Other revenues rose $1.0 billion, or 11.4 per cent.

Program expenses for April to August 2008 were $82.7 billion, up $6.4 billion, or 8.4 per cent, from the same period last year, reflecting higher transfer payments, Crown corporation expenses and operating expenses of departments and agencies.

Transfer payments for April to August 2008 were up $4.3 billion, or 8.7 per cent, from the same period last year.

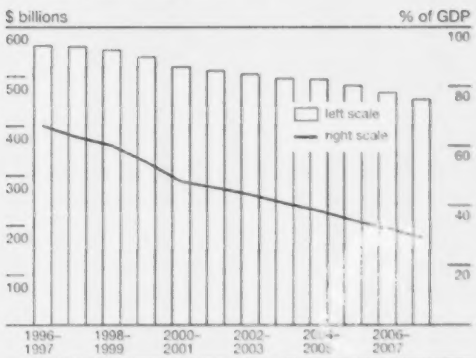
- Major transfers to persons were up $0.6 billion, or 2.4 per cent. Elderly benefits increased by 3.3 per cent and EI benefits by 2.2 per cent. Children's benefits remained stable compared to the same period last year.
- Major transfers to other levels of government were up $1.6 billion, or 8.7 per cent, reflecting legislated growth in the Canada Health Transfer, Canada Social Transfer and Equalization.

Budgetary balance



Sources: Department of Finance and Statistics Canada.

Federal debt (accumulated deficit)



Sources: Department of Finance and Statistics Canada.

- Subsidies and other transfers were up $2.1 billion, or 27.8 per cent, mainly reflecting increases in payments related to infrastructure and higher transfers to Newfoundland and Labrador and Nova Scotia under the Atlantic Offshore Accords.

Other program expenses increased by $2.1 billion, or 7.9 per cent, from last year's level.

Public debt charges decreased by $0.3 billion, or 2.0 per cent, reflecting lower unmatured debt levels and lower interest rates.

Financial requirement of $19.6 billion for April to August 2008

The budgetary balance is presented on a full accrual basis of accounting, recording government assets and liabilities when they are receivable or incurred, regardless of when the cash is received or paid. In contrast, the financial source/requirement measures the difference between cash coming in to the Government and cash going out. This measure is affected not only by changes in the budgetary balance but also by the cash source/requirement resulting from the Government's investing activities through its acquisition of capital assets and its loans, financial investments and advances, as well as from other activities, including payment of accounts payable and collection of accounts receivable, foreign exchange activities, and the amortization of its tangible capital assets. The difference between the budgetary balance and financial source/requirement is recorded in non-budgetary transactions.

With a budgetary surplus of $1.2 billion and a requirement of $20.8 billion from non-budgetary transactions, there was a financial requirement of $19.6 billion in the April to August 2008 period, compared to a financial source of $8.3 billion in the same period last year. This difference reflects the financial requirement associated with higher refunds for the 2007 tax year related to the tax cuts announced in the October 30, 2007 Economic Statement and loans to major Crown corporations. The increase in these loans reflects the Budget 2007 announcement that the Government would meet all of the borrowing needs of the Business Development Bank of Canada, Canada Mortgage and Housing Corporation and Farm Credit Canada through direct lending to these Crown corporations in order to reduce overall borrowing costs and improve the liquidity of the government securities market.

Net financing activities up $17.6 billion

The Government financed this financial requirement of $19.6 billion by increasing market debt by $17.6 billion and reducing cash balances by $2.0 billion. The increase in market debt was achieved largely through the issuance of treasury bills. The level of cash balances varies from month to month based on a number of factors including periodic large debt maturities, which can be quite volatile on a monthly basis. Cash balances at the end of August 2008 stood at $9.2 billion, $0.5 billion below their level at the end of August 2007.

Table 1
Summary statement of transactions

	August		April to August	
	2007	2008	2007–08	2008–09
		($ millions)		
Budgetary transactions				
Revenues	17,569	17,652	97,062	97,730
Expenses				
Program expenses	-15,071	-16,590	-76,255	-82,666
Public debt charges	-2,629	-2,811	-14,189	-13,905
Budgetary balance (deficit/surplus)	-131	-1,749	6,618	1,159
Non-budgetary transactions	1,695	2,427	1,707	-20,777
Financial source/requirement	1,564	678	8,325	-19,618
Net change in financing activities	4,849	3,396	-19,765	17,600
Net change in cash balances	6,413	4,074	-11,440	-2,018
Cash balance at end of period			9,769	9,223

Note: Positive numbers indicate net source of funds. Negative numbers indicate net requirement for funds.

Table 2
Budgetary revenues

	August			April to August		
	2007	2008	Change	2007–08	2008–09	Change
	($ millions)		(%)	($ millions)		(%)
Tax revenues						
Income taxes						
Personal income tax	8,448	9,038	7.0	44,741	46,790	4.6
Corporate income tax	2,243	1,277	-43.1	15,284	13,769	-9.9
Other income tax	510	558	9.4	2,121	2,285	7.7
Total income tax	11,201	10,873	-2.9	62,146	62,844	1.1
Excise taxes and duties						
Goods and services tax	2,044	1,846	-9.7	12,441	11,247	-9.6
Customs import duties	316	370	17.1	1,615	1,722	6.6
Sales and excise taxes	842	720	-14.5	4,108	4,140	0.8
Air Travellers Security Charge	32	32	0.0	168	172	2.4
Total excise taxes and duties	3,234	2,968	-8.2	18,332	17,281	-5.7
Total tax revenues	14,435	13,841	-4.1	80,478	80,125	-0.4
Employment Insurance premiums	1,128	1,129	0.1	7,418	7,398	-0.3
Other revenues	2,006	2,682	33.7	9,166	10,207	11.4
Total budgetary revenues	17,569	17,652	0.5	97,062	97,730	0.7

Note: Totals may not add due to rounding.

Table 3

Budgetary expenses

	August			April to August		
	2007	2008	Change	2007–08	2008–09	Change
	($ millions)		(%)	($ millions)		(%)
Transfer payments						
Transfers to persons						
Elderly benefits	2,632	2,723	3.5	13,093	13,525	3.3
Employment Insurance benefits	1,131	1,132	0.1	5,708	5,835	2.2
Children's benefits	952	956	0.4	5,021	5,043	0.4
Total	4,715	4,811	2.0	23,822	24,403	2.4
Transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer	1,779	1,886	6.0	8,895	9,429	6.0
Canada Social Transfer	734	880	19.9	3,917	4,399	12.3
Total	2,513	2,766	10.1	12,812	13,828	7.9
Fiscal transfers	1,324	1,272	-3.9	6,010	6,374	6.1
Canada's cities and communities	0	6	n/a	386	481	24.6
Alternative Payments for Standing Programs	-262	-254	-3.1	-1,260	-1,166	-7.5
Total	3,575	3,790	6.0	17,948	19,517	8.7
Subsidies and other transfers						
Agriculture and Agri-Food	129	107	-17.1	436	412	-5.5
Foreign Affairs and International Trade	262	240	-8.4	877	1,136	29.5
Health	33	96	190.9	817	881	7.8
Human Resources and Social Development	88	104	18.2	671	924	37.7
Indian Affairs and Northern Development	367	343	-6.5	2,046	2,006	-2.0
Industry	225	240	6.7	783	808	3.2
Other	342	800	133.9	2,052	3,654	78.1
Total	1,446	1,930	33.5	7,682	9,821	27.8
Total transfer payments	9,736	10,531	8.2	49,452	53,741	8.7
Other program expenses						
Crown corporation expenses						
Canadian Broadcasting Corporation	105	93	-11.4	665	465	-30.1
Canada Mortgage and Housing Corporation	142	167	17.6	758	990	30.6
Other	296	282	-4.7	1,649	1,831	11.0
Total	543	542	-0.2	3,072	3,286	7.0
Defence	1,416	1,706	20.5	6,536	7,279	11.4
All other departments and agencies	3,376	3,811	12.9	17,195	18,360	6.8
Total other program expenses	5,335	6,059	13.6	26,803	28,925	7.9
Total program expenses	15,071	16,590	10.1	76,255	82,666	8.4
Public debt charges	2,629	2,811	6.9	14,189	13,905	-2.0
Total budgetary expenses	17,700	19,401	9.6	90,444	96,571	6.8

Note: Totals may not add due to rounding.

Table 4

The budgetary balance and financial source/requirement

	August		April to August	
	2007	2008	2007–08	2008–09
		($ millions)		
Budgetary balance (deficit/surplus)	-131	-1,749	6,618	1,159
Non-budgetary transactions				
Capital investing activities	-251	-323	-1,154	-1,180
Other investing activities	-72	-770	68	-12,534
Pension and other accounts	222	331	1,855	2,069
Other activities				
Accounts payable, receivables, accruals and allowances	874	4,251	-3,195	-9,010
Foreign exchange activities	651	-1,353	2,763	-1,529
Amortization of tangible capital assets	271	291	1,370	1,407
Total other activities	1,796	3,189	938	-9,132
Total non-budgetary transactions	1,695	2,427	1,707	-20,777
Financial source/requirement	1,564	678	8,325	-19,618

Note: Totals may not add due to rounding.

Table 5

Financial source/requirement and net financing activities

	August		April to August	
	2007	2008	2007–08	2008–09
		($ millions)		
Financial source/requirement	1,564	678	8,325	-19,618
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	3,745	4,891	1,245	5,279
Treasury bills	1,300	-1,900	-17,800	13,600
Canada Savings Bonds	81	-33	-360	-126
Other	-1	-1	-499	-492
Total	5,125	2,957	-17,414	18,261
Foreign currency borrowings	223	126	-175	-1,172
Total	5,348	3,083	-17,589	17,089
Cross-currency swap revaluation	-300	179	-2,098	248
Unamortized discounts on debt issues	-167	143	0	336
Obligations related to capital leases	-32	-9	-78	-73
Net change in financing activities	4,849	3,396	-19,765	17,600
Change in cash balance	6,413	4,074	-11,440	-2,018

Note: Totals may not add due to rounding.

For inquiries about this publication, contact Chris Forbes at 613-995-6391.
Ce document est également offert en français.
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